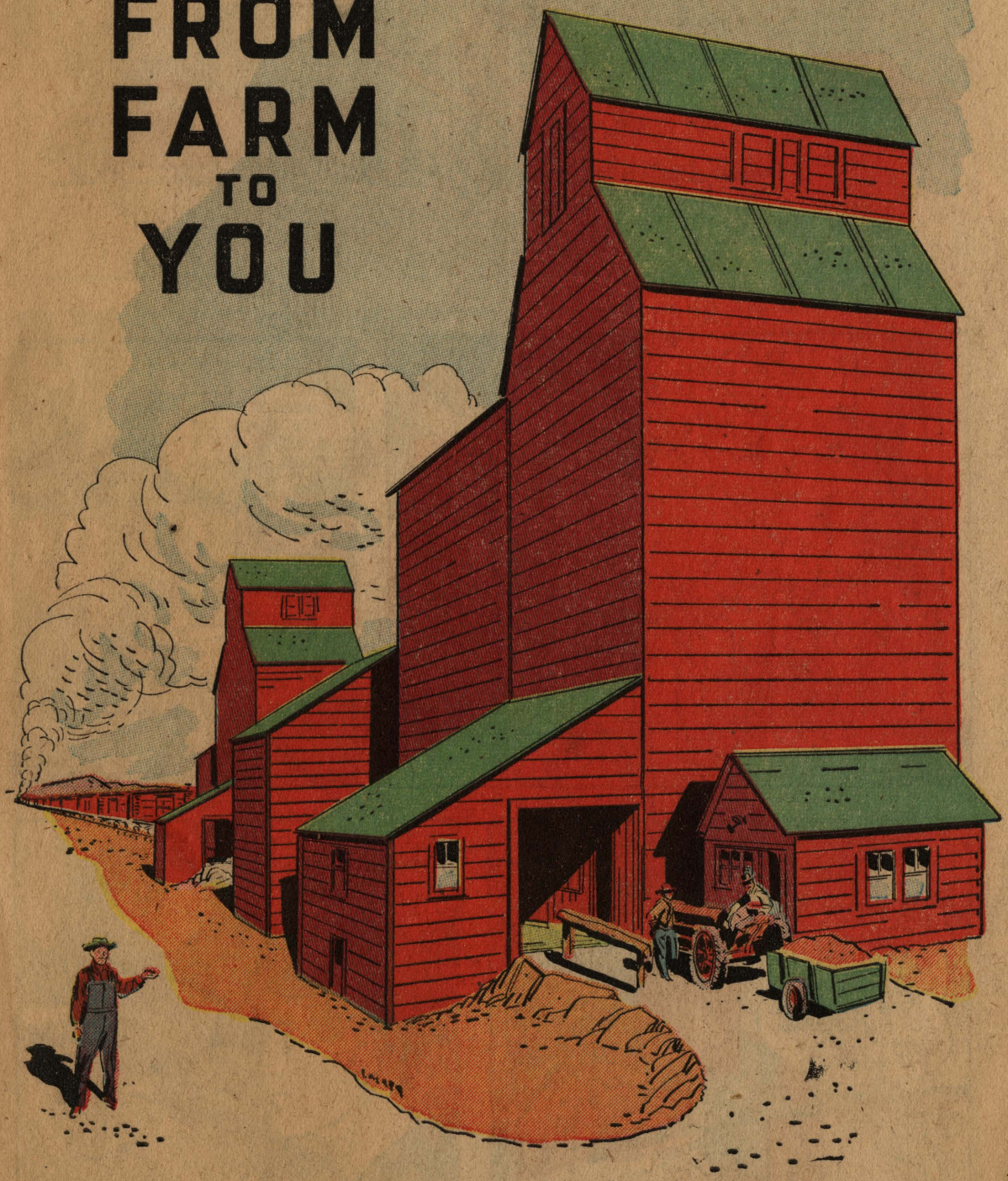
THE STORY OF GRAIN

FROM FARM TO YOU



ALL OVER AMERICA'S GRAIN BELT, WHEN THE DAYS GET SHORTER AND THE NIGHT AIR HAS A TINGLE - IT'S FALL AND HARVEST TIME.

WELL, DAD, THAT'S THE END OF THE WHEAT HARVEST.

OKAY, JIM. LET'S HAUL THIS LAST LOAD TO THE ELEVATOR.

IF YOU BOYS ARE GOING TO TOWN, BETTER WEAR YOUR JACKETS.

GOLLY, BUT THE ELEVATOR IS BIG!

BIGGEST AND MOST IMPORTANT BUILDING IN OUR COMMUNITY, SON.

WHY IS IT DAD?

BECAUSE FROM THAT ELEVATOR WE FARMERS CAN TAKE ADVANTAGE OF ALL THE GRAIN MARKETS IN THE WORLD.

PRAIRIE CITY ELEVATOR CO.

WHAT DID FARMERS DO BEFORE THE RAILROADS CAME AND THE ELEVATORS WERE BUILT?

I REMEMBER MY FATHER TELLING ABOUT WHEN HE WAS A BOY.....

....THE MARKET FOR THE FARMER'S GRAIN WAS LIMITED TO LOCAL DEMAND. IF NO ONE WANTED GRAIN, IT OFTEN HAD TO BE TAKEN HOME.

MILL

SORRY, CAN'T USE IT.

PRAIRIE CITY ELEVATOR CO.

GEE, I'M SURE GLAD TIMES HAVE CHANGED!

WE ALL ARE, BOB. THERE'S MR. BROWN.

PRAIRIE CITY ELEVATOR CO.

HI, BILL. HERE'S THE LAST OF OUR WHEAT.

OKAY, BOB. RUN IT ON THE SCALE. HERE BOBBY, GET A SAMPLE WILL YOU?

6220 POUNDS, BOB. LOOKS LIKE GOOD WHEAT TOO. SAY, BOBBY - YOU'VE DONE CROP JUDGING IN 4H HAVEN'T YOU? WHAT DO YOU THINK IT WILL GRADE?

I HAVEN'T HAD MUCH EXPERIENCE, BUT I'D SAY #2 AT LEAST.

HERE, JIM YOU TAKE THE TEST WEIGHT. AFTER ALL YOU WON A TRIP TO THE GRAIN EXCHANGE LAST YEAR AS AN FFA CROPS JUDGE.

IT'S 61 POUNDS. THAT MAKES IT NO. 1 HEAVY BY FEDERAL GRADES, DOESN'T IT?

RIGHT! AND THAT'LL BRING A PREMIUM OF 2¢ A BUSHEL ON TODAY'S MARKET. IT'S JUST THE SAME AS YOUR OTHER LOADS.

WHAT'S WHEAT WORTH TODAY, BILL?

MINNEAPOLIS QUOTES $2.53 A BUSHEL FOR #1 HEAVY DARK NORTHERN SPRING WHEAT, JIM. I CAN PAY YOU $2.25 HERE.

THAT'S FAIR ENOUGH - I'LL TAKE IT. HERE ARE THE STORAGE TICKETS FOR THE GRAIN WE HAVE ALREADY IN THE ELEVATOR. I'LL SELL IT ALL.

WILL YOU TELL ME, MR. BROWN, WHAT MAKES THE DIFFERENCE IN PRICE?

SURE, BOBBY. TAKE THIS PIECE OF CHALK AND WE'LL WORK IT OUT ON THE BLACKBOARD.

FIRST PUT DOWN $2.53 WHICH IS THE MINNEAPOLIS PRICE. NOW SUBTRACT 20¢ FOR FREIGHT. NEXT, SUBTRACT 2½¢ WHICH IS THE COMMISSION FOR THE MAN WHO SELLS THE GRAIN FOR ME AT THE MARKET.

SO FAR THAT LEAVES 5½¢. WHAT'S THAT FOR?

$2.53
-.20
$2.33
2½
$2.30½

THAT 5½¢ COVERS MY HANDLING COSTS. THE PROFIT FOR THE ELEVATOR IS IN THE WORK WE DO FOR CUSTOMERS SUCH AS RECEIVING AND SHIPPING GRAIN.

$2.30½
$2.25
5½¢

WHAT HAPPENS IF THE PRICE OF GRAIN GOES DOWN BEFORE YOU GET IT TO MARKET AND SELL IT - AREN'T YOU TAKING QUITE A RISK?

EVERYONE WHO HANDLES GRAIN HAS SOME RISK, BOBBY - BUT WE'RE ALL ABLE, BECAUSE OF FUTURE CONTRACTS, TO LESSEN THAT RISK. YOU LISTEN IN WHILE I CALL MY COMMISSION MAN AT THE MINNEAPOLIS GRAIN EXCHANGE.

HELLO, FRANK. HOW'S THE KAISER GRAIN CO. TODAY? SAY, FRANK, I'VE 5000 #1 HEAVY WHEAT READY TO SHIP. SELL A 5000 BUSHEL FUTURE FOR ME, WILL YOU? THANKS, SO LONG.

WHAT'S A FUTURE JIM?

SUPPOSE BILL SHIPPED GRAIN TO MARKET AND WHEN IT ARRIVED THE PRICE WAS DOWN. HE'D LOSE MONEY WOULDN'T HE?

SURE - THAT'S WHAT I ASKED BEFORE!

YES, BUT INSTEAD WHEN BILL BUYS GRAIN AT TODAY'S PRICE HE ALSO SELLS AT TODAY'S PRICE A FUTURE CONTRACT WHICH IS A PROMISE TO DELIVER AT A FUTURE DATE A CERTAIN AMOUNT AND KIND OF GRAIN.

THEN WHEN HIS GRAIN GETS TO MARKET AND IS SOLD AT THAT DAY'S PRICE HE BUYS BACK HIS FUTURE ALSO AT THAT DAY'S PRICE AND SINCE THE CASH GRAIN AND FUTURES PRICES USUALLY RISE AND FALL TOGETHER, HE HAS HEDGED OR INSURED HIS PURCHASE OF GRAIN AGAINST A DROP IN THE MARKET.

IF YOU WANT TO LEARN ABOUT HEDGING, BOBBY, THE PLACE TO DO IT IS RIGHT AT THE MARKET.

WE'RE GOING TO MINNEAPOLIS NEXT WEEK MAYBE WE CAN SEE IT THEN.

TELL YOU WHAT I'LL DO - I'LL WRITE FRANK KAISER AND TELL HIM YOU'LL LOOK HIM UP. HE'LL BE GLAD TO SHOW YOU AROUND.

THANKS, BILL, WE'LL DO THAT. AND THANKS FOR THE CHECK.

NEXT WEEK

WE'RE ALL SET, DAD.

OKAY. I SEE YOU'VE GOT YOUR CAMERA, SON.

YES, DAD. AT 4H MEETING LAST NIGHT, BETTY AND I SAID WE'D MAKE A PICTURE REPORT ON OUR TRIP THROUGH THE GRAIN EXCHANGE.

THAT'S FINE, SON. I'M SURE THEY'LL BE INTERESTED IN THE PICTURES.

WHAT IS THE GRAIN EXCHANGE, JIM?

IT'S AN ASSOCIATION TO WHICH BOTH BUYERS AND SELLERS OF GRAINS BELONG. THEY COME TO TRADE WITH EACH OTHER MUCH LIKE A PUBLIC SALE. THE EXCHANGE ITSELF DOESN'T BUY OR SELL ANYTHING. IT HAS RULES WHICH MEMBERS FOLLOW AND IT PUBLISHES PRICES OF ALL SALES.

IT'S MAIN PURPOSE THEN IS TO HELP BUYERS AND SELLERS FIND ONE ANOTHER.

THAT'S RIGHT, DAD. THE GRAIN EXCHANGE OFFERS A CENTRAL LOCATION FOR TRADING.

I'M GOING SHOPPING WHEN WE GET TO TOWN- WHAT ARE YOUR PLANS?

WE'LL REGISTER AT THE HOTEL, MOTHER, AND THEN GO FIND MR. KAISER.

HERE WE ARE. GEE ISN'T MINNEAPOLIS A BUSY PLACE.

TAKE THE BAGS OUT OF THE TRUNK, BOYS.

THERE IT IS- THE MINNEAPOLIS GRAIN EXCHANGE!

IT'S A PRETTY BIG BUILDING!

MR. KAISER IS ON THE 10th. FLOOR. LET'S GO.

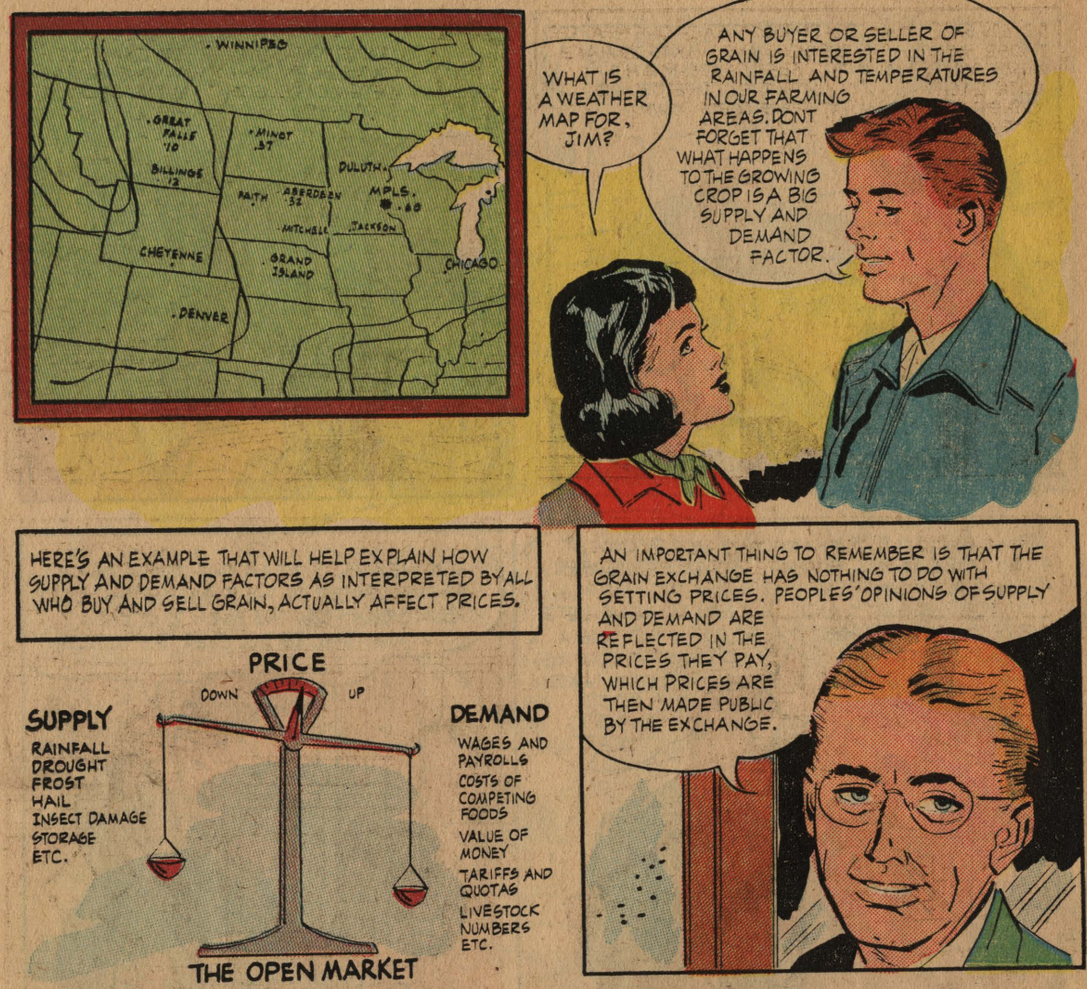
MR. KAISER, I'M BOB SWANSON A CUSTOMER OF BILL BROWN. THESE ARE MY CHILDREN- JIM, BOB AND BETTY, AND WE'RE ALL HERE TO SEE THE MARKET.

GLAD TO MEET YOU. I REMEMBER JIM FROM HIS FFA TRIP LAST YEAR. LET'S GO DOWN AND TAKE A LOOK AT THE TRADING FLOOR- THAT'S A GOOD PLACE TO START.

HERE WE ARE. THROUGH THIS DOOR LIES THE NERVE CENTER OF THE BUSINESS THAT GETS YOUR GRAIN FROM THE FARM TO KITCHEN TABLES ALL OVER THE WORLD.

THERE IT IS! THIS SCENE IS DUPLICATED IN EVERY MODERN COMMODITY MARKET TRADING IN FUTURES. THE TABLES ON THE LEFT ARE FOR CASH GRAIN SALES. BELOW US IS THE PIT WHERE THE FUTURES ARE TRADED. ACROSS ARE THE TELEPHONES, TELEGRAPH, AND THE WEATHER MAPS. UP THERE ARE THE BLACK-BOARDS WHERE SALES PRICES AND OTHER INFORMATION ARE POSTED.

WINNIPEG | KANSAS CITY | MINNEAPOLIS | CHICAGO



WHAT IS A WEATHER MAP FOR, JIM?

ANY BUYER OR SELLER OF GRAIN IS INTERESTED IN THE RAINFALL AND TEMPERATURES IN OUR FARMING AREAS. DONT FORGET THAT WHAT HAPPENS TO THE GROWING CROP IS A BIG SUPPLY AND DEMAND FACTOR.

HERE'S AN EXAMPLE THAT WILL HELP EXPLAIN HOW SUPPLY AND DEMAND FACTORS AS INTERPRETED BY ALL WHO BUY AND SELL GRAIN, ACTUALLY AFFECT PRICES.

THE OPEN MARKET

AN IMPORTANT THING TO REMEMBER IS THAT THE GRAIN EXCHANGE HAS NOTHING TO DO WITH SETTING PRICES. PEOPLES' OPINIONS OF SUPPLY AND DEMAND ARE REFLECTED IN THE PRICES THEY PAY, WHICH PRICES ARE THEN MADE PUBLIC BY THE EXCHANGE.

WHO ARE ALL THOSE MEN IN THE PIT AND WHY ARE THEY WAVING THEIR ARMS AND SHOUTING?

THOSE ARE THE MEMBERS WHO ARE COMPETING WITH EACH OTHER IN THE BUYING AND SELLING OF GRAIN....

.... THE HAND SIGNALS INDICATE BIDS AND OFFERS. THE SHOUTING IS BECAUSE OF OUR "OPEN OUTCRY" RULE THAT ALL BIDS ARE PUBLICLY ANNOUNCED.

AND THOSE PEOPLE WRITING ON THE BLACKBOARDS ARE RECORDING PRICES OF SALES IN THE FUTURES MARKET, NOT ONLY THIS MARKET BUT ALSO PRICES RECEIVED ON THOSE TICKERS FROM OTHER MARKETS.

DID YOU SAY THOSE MEN WERE COMPETING WITH EACH OTHER IN THE PIT?

THAT'S RIGHT. EACH ONE IS AFTER BUSINESS AND WANTS TO MAKE THE BEST DEALS FOR HIS CLIENTS. THE COMPETITION IS WHAT KEEPS COSTS DOWN.

"BUT WHERE THERE ARE TWO STORES AND BOTH WANT THE BUSINESS, THEY'RE CLEAN AND UP TO DATE."

TAKE THE STORES FOR EXAMPLE. YOU'VE SEEN TOWNS WITH ONE STORE - OFTEN CARELESSLY KEPT UP BECAUSE CUSTOMERS HAVE NOWHERE ELSE TO GO.

HAVE THERE BEEN MARKETS LIKE THIS FOR A LONG TIME?

OVER A HUNDRED YEARS, BETTY. PUBLIC GRAIN MARKETS CAME INTO BEING BECAUSE OF ECONOMIC NECESSITY....

.... AND HAVE GROWN RIGHT ALONG WITH THE DEVELOPMENT OF THE GRAIN AREAS. THE MINNEAPOLIS GRAIN EXCHANGE WAS FOUNDED IN 1881.

MR. KAISER, DOES ANYONE WHO WANTS TO BUY OR SELL GRAIN HAVE TO COME HERE TO DO BUSINESS?

NO, BOBBY, BUT BEING ABLE TO REACH MANY BUYERS ON A WORLD WIDE BASIS MAKES IT THE MOST ECONOMICAL AND PRACTICAL METHOD.

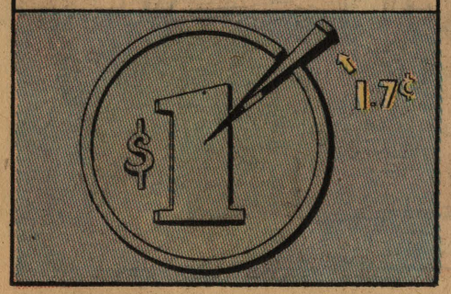
THAT'S JUST LIKE ONE OUR 4H OBJECTIVES THAT TEACHES US THAT BY WORKING TOGETHER WE CAN INCREASE OUR ACCOMPLISH-MENTS.

THAT'S RIGHT, BETTY. ALL THESE PEOPLE ARE COMPETITORS AND YET THEY WORK TOGETHER IN HAVING A PLACE WHERE THEY CAN DO BUSINESS.

RIGHT, JIM. AND THE INTERESTING THING IS HOW THE PRODUCERS AND CONSUMERS BENEFIT THROUGH LOWER COSTS. WE ALWAYS LIKE TO SHOW VISITORS THE CHART IN THIS DISPLAY CASE.

A U.S. DEPARTMENT OF AGRICULTURE STUDY* SHOWED THAT ONLY 1.7¢ OF THE CONSUMER'S DOLLAR FOR BAKERY AND CEREAL PRODUCTS WAS FOR MARKETING THE GRAIN IN SUCH PRODUCTS

* TECHNICAL BULLETIN 936, U.S.D.A. AUGUST, 1947



SAY, IT'S LUNCH TIME. WHAT SAY WE GO DOWN TO THE EXCHANGE CAFETERIA FOR A BITE TO EAT? THEN WE CAN GET BACK BEFORE THE MARKET CLOSES.

MY KIDS ARE ALWAYS HUNGRY. WE'D LIKE TO GO.

MR. KAISER, IT CERTAINLY IS A BUSY PLACE UPSTAIRS. WHO KEEPS THINGS IN ORDER?

ACTUALLY, THE MEMBERS THEMSELVES. EACH YEAR THEY ELECT A BOARD OF DIRECTORS WHO RUN THE AFFAIRS OF THE ASSOCIATION UNDER RULES AND REGULATIONS ADOPTED BY THE MEMBERSHIP AND SUPERVISED BY THE FEDERAL GOVERNMENT.

THAT'S JUST LIKE 4H. WE ELECT OUR OWN OFFICERS AND PLAN OUR OWN PROGRAMS, TOO.

THERE MUST BE A LOT OF RECORD KEEPING ON ALL THE BUYING AND SELLING ON THE FLOOR, ISN'T THERE?

YES. THE MEMBERS USE THEIR TRADING CARDS TO KEEP TRACK OF WHAT THEY BUY OR SELL. THEN BACK IN THEIR OFFICES YOU WOULD FIND A GREAT MANY PEOPLE AT WORK HANDLING THE NECESSARY BOOKKEEPING, BILLING, ETC.

I DON'T SEE HOW THOSE FUTURES TRADERS KEEP EVERYTHING STRAIGHT.

THERE IS A CLEARING HOUSE TO HELP DO THAT. EVERY BUYER AND SELLER HAS TO REPORT ALL TRADES EVERY DAY, AND THE CLEARING HOUSE SEES THAT THE SALES AND PURCHASES BALANCE ONE ANOTHER.

IF YOU FOLKS ARE FINISHED, LET'S GO UP ON THE FLOOR AND LOOK AROUND THE CASH TABLES.

THESE ARE THE CASH GRAIN TABLES. EACH SAMPLE PAN YOU SEE REPRESENTS A CAR OF GRAIN OUT IN THE RAILROAD YARDS.

WHAT ARE THE LITTLE CARDS IN EACH PAN?

THOSE ARE PAN TICKETS SHOWING THE STATE GRADE OF THE GRAIN AND THE ORIGINAL SHIPPING POINT.

KAISER CO.

"YOU SEE, BETTY, WHEN A CAR COMES INTO THE YARD, A GOVERNMENT SAMPLER GOES TO THAT CAR AND TAKES A VERY CAREFUL SAMPLE OF THE GRAIN."

"THAT SAMPLE IS BROUGHT TO THE OFFICIAL STATE TESTING LABORATORY AND THE EXACT GRADE IS DETERMINED BY U.S. GRADE STANDARDS AND PUT ON THESE CARDS."

THIS IS THE OFFICIAL GRAIN INSPECTION REPORT.

STATE GRAIN INSPECTION

CAR No. 12655 INITIAL NP

2 BINS

4% - 15 14539

60# 14#

E. Peterson SAMPLER

8-14-52

AND THIS IS THE OFFICIAL STATE PROTEIN TEST REPORT. A VERY HIGH PROTEIN TEST SOMETIMES BRINGS A PREMIUM PRICE FROM FLOUR MILLERS AND OTHER FOOD PROCESSORS.

OFF'L PROTEIN TEST

Date No.

Car No. 12655

Initial NP

Location St. L

Remarks

Protein % 10.8

WITH THAT INSPECTION TICKET, THAT MAN OVER THERE, WHO'S AN EXPORT BUYER CAN BUY EXACTLY THE GRAINS HIS CUSTOMERS REQUIRE.

AND IN CASE THERE IS A DISAGREEMENT BETWEEN BUYER AND SELLER ABOUT THE GRADE, THEY CAN CALL FOR A REINSPECTION.

THAT'S RIGHT, JIM. SAY, HERE'S A MAN I'D LIKE YOU TO MEET- HE'S JACK JONES, THE GRAIN BUYER FOR A FLOUR MILL. JACK MEET THE SWANSONS.

HI, FOLKS, GLAD TO KNOW YOU.

FRANK, YOU'VE 3 CARS OF WHEAT I'D LIKE TO HAVE. IT'S #1 HEAVY AND HAS A GOOD COLOR. I'LL PAY YOU 2¢ PREMIUM.

OKAY, JACK, WE'LL BOOK IT. OUR HEDGE IS IN THE JULY FUTURE. DO YOU WANT IT?

NO, I'VE A FLOUR ORDER TO COVER THIS PURCHASE SO YOU CAN BUY BACK YOUR FUTURE IN THE PIT.

REMEMBER, MR. SWANSON, WHEN BILL BROWN YOUR ELEVATOR MAN BOUGHT YOUR GRAIN HE TOLD ME TO HEDGE BY SELLING 5000 BUSHELS FOR FUTURE DELIVERY? NOW THAT I'VE SOLD THE GRAIN, I BUY BACK THAT FUTURE.

AND EVEN THOUGH THE MARKET PRICE HAS GONE DOWN SINCE HE BOUGHT OUR GRAIN, HE'S BEEN PROTECTED BY THE FUTURE CONTRACT.

RIGHT, JIM. FROM COUNTRY ELEVATOR TO FINAL USER WE CAN ALL HELP TO INSURE OUR OPERATIONS AGAINST PRICE LOSSES BY USING THE FUTURES.

I THOUGHT SPECULATORS USED THE FUTURES.

THEY DO! SOMETIMES A SPECULATIVE BUYER OR SELLER IS THE ONLY ONE WE CAN FIND READY TO TAKE THE OTHER SIDE OF A FUTURES CONTRACT.

DO YOU MEAN MOST OF THOSE PEOPLE OVER THERE IN THE PIT ARE SPECULATORS?

NO, BOBBY, MOSTLY THEY WORK FOR ELEVATORS, MILLS, COMMISSION FIRMS, AND BROKERS. BUT AMONG THE ORDERS THEY FILL ARE ONES FROM CUSTOMERS WHO SPECULATE ON FUTURE PRICE TRENDS.

THEY HELP YOU IN YOUR BUSINESS, DON'T THEY?

YES INDEED. PASSING THE PRICE RISK TO OTHERS AS A HEDGE GIVES US WHAT WE CALL "PRICE INSURANCE," AND AS A RESULT WE DO BUSINESS ON A MUCH SMALLER MARGIN THAN WOULD BE POSSIBLE IF WE COULDN'T HEDGE.

WELL, THERE YOU ARE FOLKS - A PRETTY QUICK LOOK AT THE WHOLE GRAIN MARKETING SYSTEM.

YES, BUT MIGHTY INTERESTING, THANKS TO YOUR TAKING THE TIME TO SHOW US AROUND.

WE ARE ALWAYS GLAD TO HAVE VISITORS AT THE EXCHANGE. DON'T FORGET THAT IT REALLY IS A PUBLIC MARKET

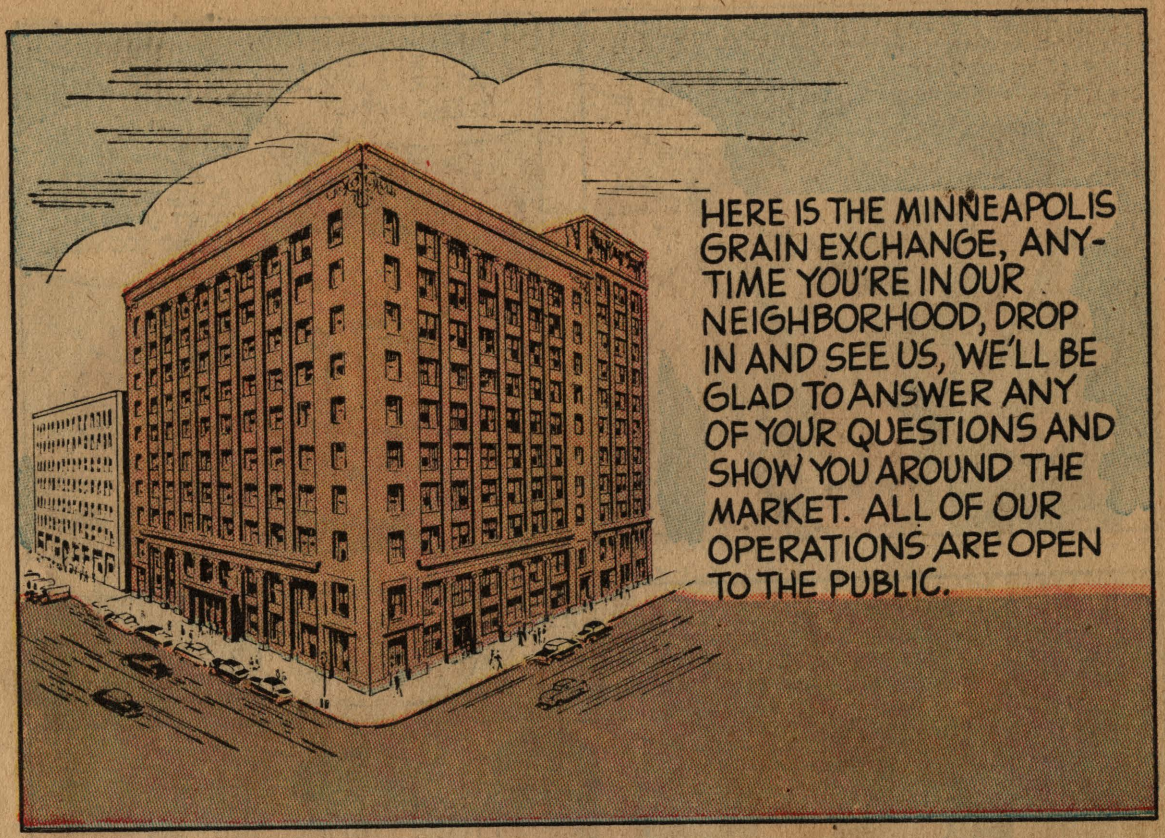
I WOULD LIKE TO COME AGAIN. THERE ARE STILL SOME THINGS I DON'T UNDERSTAND TOO WELL.

DON'T FEEL TOO BAD ABOUT THAT, BOBBY. WE OLD-TIMERS ARE STILL LEARNING, TOO. REMEMBER THIS MARKETING SYSTEM HAS BEEN OVER 100 YEARS A-GROWING.

AND IT'S STILL CHANGING?

SURE, THE MEMBERS OF THE EXCHANGE, COMPETING WITH EACH OTHER ARE ALWAYS LOOKING FOR WAYS TO LOWER THE COSTS OF HANDLING GRAIN.

WE LIKE TO SEE YOU FFA AND 4-H BOYS HERE AT THE EXCHANGE BECAUSE SOME DAY YOU WILL HAVE THIS MARKETING JOB. I KNOW THAT IN YOUR MEETINGS YOU LEARN THE PRINCIPLES OF INDIVIDUAL ENTERPRISE, AND THOSE ARE WHAT WE FOLLOW HERE, TOO.


HERE IS THE MINNEAPOLIS GRAIN EXCHANGE, ANY-TIME YOU'RE IN OUR NEIGHBORHOOD, DROP IN AND SEE US, WE'LL BE GLAD TO ANSWER ANY OF YOUR QUESTIONS AND SHOW YOU AROUND THE MARKET. ALL OF OUR OPERATIONS ARE OPEN TO THE PUBLIC.

WANT TO KNOW MORE ABOUT THE GRAIN EXCHANGE?

FOR FURTHER INFORMATION, WRITE: SECRETARY'S OFFICE, MINNEAPOLIS GRAIN EXCHANGE, 4th AVENUE AT 4th ST., MINNEAPOLIS, MINN.

NAME _____

ADDRESS _____

CITY _____ STATE _____

JUST CLIP THIS COUPON AND MAIL.

GUILD ASSOCIATES
624 KASOTA BUILDING
MINNEAPOLIS 1, MINN.